

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 ERDA-05 CEA-01

FPC-01 INT-05 SAM-01 OES-03 STR-04 /102 W

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R 061402Z MAY 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8535

INFO AMEMBASSY TEHRAN

AMEMBASSY ISLAMABAD

LIMITED OFFICIAL USE NEW DELHI 6071

E.O. 11652: N/A

TAGS: ETRD, EWWT, EMIN, IR, IN

SUBJ: IRAN/INDIA ECONOMIC RELATIONS

REF: TEHRAN 3843

SUMMARY: WHILE NOTHING WAS SIGNED DURING HAKSAR'S VISIT TO IRAN, INDIAN OFFICIALS SAY THEY OBTAINED AGREEMENT IN PRINCIPLE ON KUDREMUKH FINANCING AND ON CRUDE PETROLEUM CREDITS, WHICH WILL BE SIGNED DURING THE NEXT MONTH. INDIAN OFFICIALS ARE LESS OPTIMISTIC THEN IN THE PAST ON MAJOR INDO-IRANIAN COOPERATION BUT BELIEVE THAT COOPERATION ON INDIVIDUAL PROJECTS WILL GO AHEAD. END SUMMARY.

1. FOLLOWING DEPUTY CHAIRMAN OF THE PLANNING COMMISSION HAKSAR'S VISIT TO IRAN, ALMOST ALL THE INDIAN NEWSPAPERS CARRIED SIMILAR ARICLES (BASED ON A BRIEFING BY HAKSAR) THAT AGREEMENT HAS BEEN REACHED ON: A) CONCESSIONAL CRIDE OIL SUPPLIES, B) \$630 MILLION IRANIAN FINANCING FOR THE KUDREMUKH IRON ORE MINING AND LIMITED OFFICIAL USE

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SHIPPING PROJECT, C) IRANIAN

FINANCING OF A 200,000 TON PAPER MILL WITH MOST OUTPUT TO GO TO IRAN, D) INDIAN COOPERATION IN DEVELOPING THE ARAB ALUMINUM FACILITY IN IRAN AND INDIAN AGREEMENT TO SUPPLY "0,000 TONS OF ALUMINA EVERY YEAR, AND E) IRANIAN CREDITS FOR A 1 MILLION TON FERTILIZER PLANT TO BE LOCATED IN INDIA.

2. A GOI OFFICIAL, WHO ACCOMPANIED HAKSAR, HAS GOLD US THAT NO AGREEMENTS WERE ACTUALLY SIGNED IN EHRAN. INSTEAD, INDIA GOT:

A) AGREEMENT IN PRINCIPLE FOR CONCESSIONAL SUPPLIES OF CRUDE OIL IN 1975. THE AMOUNT IS TO BE "SLIGHTLY MORE" THEN I 1974 (2.4 MILLION TONS) AND THE PRICAH "SOMEWHAT BETTER" (SEE NEW DELHI 4486 OF APRIL 3, 1974). THE AGREEMENT WILL BE SIGNED LATER THIS MONTH AND WILL BE RETROACTIVE FOR ALL OF 1975.

B) AGREEMENT IN PRINCIPLE ON HE \$600 MILLION PLUS FOR THE KUDREMUKH90

:) DISCUSSION OF IRANIAN FINANCING OF PAPER AND FERTILIZER PLANTS. THE IRANIANS OFFERED "IN PRINCIPLE" TO FINANCE HALF THE COST. THE INDIANS DO NOT EXPECT EITHER OF THESE PROJECTS TO ORVE AHEAD VERY QUICKLY. THEY ARE THE AGENDA FOR THE FUTURE.

D) TALK OF INDIA PROVIDING ALUMINA TO IRAN. SINCE INDIA IS IN A NET DEFICIT POSITION THIS IS ONLY A LONG TERM PROSPECT. INDIA HAS LOST INTEREST IN IRANIAN COOPERATION IN THE DEVELOPMENT OF BAUXITE DEPOSITS IN THE GULF OF KUTCH. THE DEPOSITS ARE LOW GRADE, WOULD REQUIRE LARGE AMOUNTS OF POWER TO DEVELOP AND WOULD YIELD VERY LITTLE NET FOREIGN EXCHANGE.

3. IT WAS DIFFICULT TO ELICIT MANY FORTHCOMING COMMENTS FROM THIS OR OTHEJBOFFICIALS ON INDO-IRANIAN POLITICAL RELATIONS, AND HAKSACHASNT BEEN TALKING TO THE PRESS ABOUT THE BROADER PICTURE. THE IMPRESSION FROM THE OFFICIAL, WHO ACCOMPANIED HAKSAR, WAS THAT THE BLOOM WAS OFF THE ROSE ON BOTH SIDES; BUT INDIA REMAINS CONVINCED COOPERATION ON A PRORECT BY PROJECT BASIS WILL CONTINUE. THE IRANIAN GOVERNMENT WAS DESCRIBED AS DISAPPOINTED WITH ITS RELATIONS WITH THE OUTSIDE WORLD, E.G., CONTRACTS WERE NOT BEING CARRIED OUT AS QUICKLY AS PROMISED, PRICES INCREASED, ETC. THEIRANIAN REACTION WAS TO "GO SLOW." PAKISTAN WAS DESCRIBED AS TRYING TO "POISON THE WELL."

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4. THIS REPORT TIES IN CLOSELY WITH THE COMMENTS OF AN IRANIAN EMBASSY OFFICIAL. WHILE THE IRANIAN EMBASSY IS NOT KEPT INFORMED ON INDIVIDUAL NEGOTIATIONS, HIS IMPRESSION WAS THAT IRAN WANTED TO MOVE AHEAD SLOWLY AND ESSENTIALLY ONLY IN HOSE AREAS WHERE THERE WAS MUTUAL BENEFIT. IRANIAN LARGESSE WOULD BE LIMITED.

5. COMMENT: WE UNDERSTAND FROM A JOURNALIST, WHO TALKED TO HAKSAR BEFORE HIS DEPARTURE, THAT INDIA PLANNED TO TAKE IRANIAN

WILLINGNESS TO PROCEED WITH KUDREMUKE AS AN INDICATION OF
IRANIAN INTEREST IN DEVELOPING A SIGNIFICANT RELATIONSHIP WITH
INDIA. IF SO -- AND ASSUMING THAT KUDREMUKE CONTRACTS ARE
SIGNED SOON -- THEN INDIA MUST BE SOMEWHAT REASSURED. THE DELAY
IN SIGNING OIL CONTRACTS MAY HAVE BEEN RELATED MORE TO INDIAN
JOCKEYING FOR BETTER TERMS OR LARGER AMOUNTS OF CREDIT THAN TO
IRANIAN DELAYS. INDIAN LEADERS HAVE BEGUN IN RECENT MONTHS TO
COUPLE THEIR EXPRESSIONS OF SUPPORT FOR OPEC ON OIL PRICES WITH
MORE SPECIFIC STATEMENTS ABOUT THE INDIAN NEED FOR HELP FROM THE
OPEC COUNTRIES, AND WE UNDERSTAND THAT THEY HAVE PUSHED FOR
BETTER TERMS FROM ALL OF THEIR OPEC CREDITORS.

6. ALTHOUGH INDIAN OFFICIALS CLAIM THAT THE ECONOMIC RELATIONSHIP
WITH IRAN CAN BE SEPARATED FROM POLITICAL RELATIONS, WE AREN'T SO
SURE. WE HAVE ALREADY NOTED SWARAN SINGH'S COMMENTS IN HAVANA
ABOUT "INDUCTION OF ARMS INTO THE COUNTRIES BELONGING TO
MILITARY ALLIANCES IN OUR NEIGHBORHOOD." THERE HAVE BEEN A
COUPLE OF OTHER PUBLIC COMMENTS RECENTLY WHICH COULD BE INTER-
PRETED AS CRITICIZING IRAN, ALONG WITH PAKISTAN, FOR ITS ARMS
BUILDUP. INDIAN OFFICIALS HAVE EXPRESSED TO US GREAT CONCERN
ABOUT ARMS TRANSFERS FROM IRAN TO PAKISTAN. INDIAN PUBLIC AND
PRIVATE COMMENTARY ABOUT IRAN, WHICH WAS TOTALLY LAUDATORY LAST
YEAR, NOW REFLECTS SOME SUSPICION, ALTHOUGH NOT AS MUCH AS IN
1972. HAKSAR ALMOST CERTAINLY RAISED THE QUESTION OF ARMS TRANS-
FERS, AND THE VERY FACT THAT HE IS SO QUIET SUGGESTS HE
DIDN'T GET THE KIND OF ASSURANCES HE WANTED. IF THAT IS TRUE,
BOTH SIDES WILL PROBABLY BE MORE HARD-HEADED IN THEIR ECONOMIC
DEALINGS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, IRON, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NEWDE06071
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750159-0022
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750577/aaaacssu.tel
Line Count: 144
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TEHRAN 3843
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 05 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 AUG 2003 by izenbei0>; APPROVED <24 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IRAN/INDIA ECONOMIC RELATIONS
TAGS: ETRD, EWWT, EMIN, IR, IN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006